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ABSTRACT

In an effort to improve the effectiveness of the state's two-year colleges and universities, the Ohio Board of Regents has proposed the establishment of a three-part funding system. The first element would be a foundation of state support based on campus enrollments and costs to provide basic budgetary stability. The second element would link a significant part of new state support to improved campus performance to ensure greater accountability for each school's achievement of its individual mission. The final element would provide incentives for change through new funding for innovation and technology. The first step in implementing this plan is to ensure that each campus has an agreed-upon functional mission statement, while the next step is to link performance to subsidy funding. If the funding pool is set at 2.5% of the instructional subsidy appropriation, then each campus would be eligible to receive additional performance-related funding equal to as much as 5% of its instructional subsidy. For example, if a university campus has 3 goals, and at the end of 2 years performance indicators show substantial progress in achieving 2 of the goals, the campus might be permitted to earn 67% of the total pool of performance funds available. The Regents' plan does not seek a restoration of funding simply to support past levels of spending, but explicitly ties funding to performance and innovation to achieve the concept of the high performance campus. (KP)

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THE HIGH PERFORMANCE CAMPUS

Building the Campus of the 21st Century: A New Funding Model for Institutional Stability, Performance and Change for the Future

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Ohio Board of Regents
September 23, 1994

JC 950 440

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The High Performance Campus

In a recent presentation to key policy makers and administrators, Mr. Wolfgang Schmitt, C.E.O. of the nationally acclaimed Rubbermaid Corporation, described the high performance company as one which recognizes the need for change and harnesses this change to achieve its own goals. Even as businesses and industries across America have fought to find their footing amid the shakiness of the economy of the early 1990's, so too, has higher education. In Ohio, through the Managing/Securing the Future efforts, colleges and universities are seeking to use change constructively to increase academic value to the student.

We are looking hard at improving our effectiveness by examining critical issues. We have established academic and community service expectations in two year colleges. We have examined how faculty time is allocated for the benefit of students in universities. We are critically evaluating the wide array of doctoral programs for unnecessary duplication. In the broader perspective, the Ohio Board of Regents has called for functional mission statements, tailored for each campus and subject to approval at the state level, with the intention of achieving more effective use of our scarce resources and bringing more coherence to the breadth of higher education in Ohio. These are necessary and important efforts, but they are not sufficient to create the high performance campuses that Ohio needs for economic prosperity in the years beyond 2000.

In the 21st Century, to an exponential extent, the maxim "knowledge is power" will be true. Mr. Schmitt observed, "Whoever has the heaviest expertise has the greatest impact." Ohio's public colleges and universities must be ready to develop the brainpower and future expertise the state must have for all kinds of endeavors. Yet, the challenge for higher education lies first in each and every college and university becoming a high performance campus itself, and in public higher education becoming a high performance system.

To do their jobs well, campuses must first articulate their individual and collective missions, identify how these missions are to be performed, measured, and rewarded. Beyond that, campuses need to innovate and test new strategies. How can high quality instruction be delivered to greater numbers of students at manageable cost? What role can technology and teaching innovation play in such a process ?

Mr. Schmitt commented: "You can only cost reduce yourself to prosperity for so long." In companies, this means that creative, new ways of doing the job must be found. This proposal for the high performance campus is the way in which Ohio's college and university presidents and the Ohio Board of Regents believe that higher education in this state, given a stable funding base, can break through to a new level of service for the state of Ohio and its citizens. The following ideas outline the funding structure and stimuli that can trigger this change.

Moving Forward

The Ohio Board of Regents, in strong collaboration with the presidents of Ohio's public colleges and universities, proposes to create a system of funding higher education in which the high performance campus will flourish.

We propose to stimulate such change and to usher in a new era of accountability through the establishment of a three-part system of support for higher education. These three interrelated elements, taken as a whole, provide a comprehensive approach for building the high performance campus of the 21st century. The three integrated elements of this new approach are:

- A **foundation** of state support, based on campus enrollments and costs, to provide the basic budgetary stability needed for on-going campus operations;

- Greater **accountability** for each campus' achievement of its individual mission by linking a significant part of new state support explicitly to **improved campus performance**.

- **Incentives for change** through new funding for innovation and technology and other high priority activity.

Each of these components is critically important to the achievement of the integrated concept of the High Performance Campus. This is a holistic approach to positive change and needs to be considered in that way.

This proposal builds upon higher education's accomplishments to date in responding to the educational challenges of the 1990s. These successes include the implementation of many of the *Securing the Future* recommendations and related legislative provisions which have led to:

- Improving efficiency and productivity on all campuses (*Managing for the Future* -- Tier II);

- Strengthening undergraduate education by turning more faculty attention and teaching of undergraduate students and rewarding them for doing so (*Faculty Workload Guidelines* and the *Report on Teaching Evaluation/Reward)*;

- Establishing service expectations and performance-based funding for two-year colleges and regional campuses to meet the learning needs of their local communities and businesses (*Two-Year Campus Service Expectations)*;

- Converting former technical colleges into four new community colleges to ensure availability of basic higher education services where needed (*Securing the Future)*, and

- Reviewing unnecessary duplication in graduate programs (*Securing the Future).*

Even though higher education has suffered disproportionate budget reductions during a period of rapid enrollment growth, this proposal does not seek a restoration of funding simply to support past levels of spending. Instead, we propose that increases in funding for each institution be explicitly tied to performance and innovation.

The Funding Model
To Support the High Performance Campus

TO ACHIEVE CHANGE

Funding transformation of Ohio higher education for the 21st century.

TO ACHIEVE ACCOUNTABILITY

Funds would recognize campus mission accomplishment to meet regional and state needs.

TO ACHIEVE STABILITY & ACCESS

Instructional subsidy formula funding would ensure student access

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The Foundation: Enrollment Funding

Throughout the development of American higher education, history has shown that a basic pre-condition for the creation of sound colleges and universities of high quality is long term stable funding. With such a base, trustees and presidents can chart the future, marshall resources to achieve it and be accountable for progress. Without it, an institution will be focused only on balancing on the tightwire, finding it very difficult to get to the desired end.

In this proposal, therefore, the basic element is a formula distribution to provide on-going stable institutional support, based largely on enrollments, similar to the traditional instructional subsidy. The bulk of state funding for higher education would continue to flow through this formula, because the cost of providing higher education services on a campus will continue to be determined principally by the number of students enrolled and the types of programs and degrees offered on the campus. Continued attention to this element of funding will be required in order to provide campuses with a level of base support needed to fulfill historical legislative mandates that established adequate access to quality public higher education by all Ohioans as a state goal. Increases in this foundation funding will be used to support additional enrollments and increased costs (limited to inflation, conservatively measured by the Consumer Price Index).

Attention will be given to the continuing use of these funds in the most cost-effective and efficient manner possible, within the context of *Managing for the Future* and *Securing the Future*. Proposed foundation funding innovations to begin in FY 1996 include funding plant operation and maintenance on the basis of enrollments while continuing to support facilities now in place or authorized. A related proposal would transfer the responsibility and funding for debt service to the campuses, ultimately giving each Board of Trustees more direct responsibility for campus capital facilities, debt repayment, and plant operation and maintenance.

Focusing on Accountability: Performance Funding

Ohio is a state that has created and deeply values the range of educational opportunities available to its citizens. From technical colleges through professional post-doctoral education, the diversity of offerings is impressive. Within this range, however, there is less clarity about how higher education, as a totality, achieves the types and levels of service required to ensure that Ohio has a place among economically vigorous states of the future. The clarity of service expectations by campus, as well as coherence within the network of collegiate offerings, will be critical in serving the needs of each region and the state as a whole.

The role of each campus in serving these needs must be clearly articulated and the Board of Regents has asked for colleges and universities to do this through the development of a functional mission statement. Taken as a whole, Ohio's colleges and universities will achieve a level of service that ensures that access to higher education is improved for all Ohioans, a primary goal for the Board of Regents and a much needed accomplishment for a state which already falls far below the national average in percentage of educated adults. All campuses cannot be all things to all people; together our campuses can become a mosaic of well-developed and clearly focused educational opportunies.

We have already begun to achieve the goal of a coherent system of higher education accountable for its performance through the identification of service expectations for two-year colleges and regional campuses. These service expectations were designed to ensure that Ohioans, regardless of geography, would have access to a necessary level of two-year academic programs and support services. Ohio's community and technical colleges, and regional campuses of universities, have worked throughout the past year to develop performance measures for each of the nine service expectations. These performance measures are linking performance to subsidy in an effort to stimulate positive change. Now it is time to move this concept into a broader arena and incorporate the role and mission of Ohio's university campuses in this process.

In an effort to build high performance campuses focused on the achievement of institutional, regional, and state priorities, the proposal calls for accountability to be achieved through:

- **identification of campus goals**, through the functional mission statements, as approved by the Ohio Board of Regents;

- **identification of regional goals**, as determined collaboratively among four-year and two-year campuses within each region, with the Ohio Board of Regents; and

- **identification of state goals**, as articulated by the Board of Regents and colleges and universities building upon the goals of *Securing the Future* and articulated in the next Master Plan.

Functional mission statements are a critical building block in ensuring that Ohio's campuses, both individually and collectively, are addressing the full range of state and regional needs. These mission statements will provide a powerful means of ensuring that each region of the state will benefit from improved service, enhanced student learning, and greater economic viability.

Funding, in this proposal, would follow performance. Prior to receiving performance funds, each campus would have to demonstrate the successful accomplishment, or appropriate progress toward, its established goals as assessed through specific performance measures.

We believe that the people of Ohio deserve adequate resources to ensure their access to high quality higher education, and that they also deserve a thoughtful strategy for change in return for stronger financial support. Just as higher education provided needed budget balancing funds to the state in its difficult budget time, we believe the state will wish to help achieve the mutually desirable goals of greater accountability and critical movement to high performance. These funds would do just that.

> *Under this proposal, for the first time in Ohio's history, public support for higher education would be tied directly to performance. State policymakers, the media, and the public would receive regular reports of progress toward measurable educational goals. Improvement -- or lack thereof -- would be recognized, assessed, and appropriately addressed in a timely fashion.*

How might performance funding work?

Each college and university campus will have clearly identified goals and specific performance measures for assessing the achievement of its goals. Agreed-upon Functional Mission Statements for each campus will provide the first step in this process for university campuses. Two-year colleges have already begun work in this area through the development of performance measures for service expectations. The Functional Mission Statements for the two-year campuses will serve to enhance and build upon the work previously accomplished in this area.

The next step in the process is the linkage of performance to subsidy funding. Suppose that the performance funding pool was set at 2.5%of the instructional subsidy appropriation, and that each campus was eligible to receive additional performance-related funding equal to as much as 5% of its instructional subsidy.

Using a university campus as an example, suppose that one campus' performance goals were three, of equal significance: a campus goal of improved academic performance and retention of students in the freshman year; a regional goal of increasing the number of transfer students from surrounding two-year campuses by 10%; and a state goal of increasing the number of students who make progress to bachelor's degree completion.

At the end of two years, performance indicators show substantial progress in achieving the first and third goals, but no improvement concerning transfers. Further review suggests that the cause was an ineffectively implemented transfer student outreach and recruitment program on the part of the university.

As a result, this campus might be permitted to earn 67% of the total pool of performance funds available to it as a recognition and ongoing support for successful achievement of campus and statewide goals. Full performance funding would not be possible since the university did not achieve each of its stated goals. In any case, a decision as to whether a campus had achieved its goals would be based upon specific, agreed upon performance measures.

The role of the Board of Regents might include facilitating progress on this goal by inviting staff from this university to work with staff from a neighboring university that has a successful transfer program in place. Additionally, the Board could convene all likely "feeder" institutions to plan improvement in this area, thereby achieving an important state goal: increased numbers of college-educated Ohioans.

Change for the 21st Century: Quality & Innovation Funding

Campuses see every day that the world is challenging them to find new strategies to maintain quality, expand services, and operate more productively, all at the same time. In the past three years Ohio's campuses have reacted remarkably well to the challenge of constrained resources through redesign, restructuring, and refocusing.

But, it will take continuous innovation, creativity, and testing of new ideas throughout higher education to find answers to the challenges of the 21st century. It will be a long process of transformation and it needs to begin now. Funding this transformation would be the third interrelated element of Ohio's new approach in institutional support. This new funding element would be used to stimulate changes in quality and productivity through innovation and technology. Competitively awarded by the Board of Regents, these funds would be available to move Ohio's colleges and universities toward the types of institutions they must become to thrive in the future.

For example, the state should invest in technologies designed to change the way in which faculty teach and students learn as a way both of increasing quality and productivity. The state should invest in ideas that enhance institutional quality on college and university campuses. Funding should be made available to address issues of importance to the state such as increasing the attention given to teaching and improving instructional productivity through such means as the Ohio Academy of Teaching and other initiatives focusing on faculty in the classroom. Some of this funding should test new ideas on campuses that engage faculty in funding solutions to improve instructional productivity and enhance student learning.

Funding for change would likely be relatively short term, because the results would be higher levels of performance (which would then be rewarded through the performance funding approach), or improved efficiency (which would provide its own financial reward), or failure of the idea (making continued funding inappropriate.)

What kind of change might be rewarded and supported under this system?

UNIVERSITY. We need to deeply engage faculty in creative and productive uses of technology to improve instruction. The academic classroom has stayed essentially the same for hundreds of years; students have changed, academic disciplines have changed and the availability of resources for teaching extend far beyond chalkboards and lecterns. The Ohio Aerospace Institute, for example, has provided opportunities for engineering to be taught at several locations throughout the state via interactive (distance) learning. Such a strategy provides for the effective use of faculty resources and gives more students the opportunity to engage in stimulating learning opportunities beyond the individual campus. University campuses should explore the additional possibilities of interactive technology.

Technology provides other innovative resources through a range of resources that should be available to all faculty and students. CD-ROM capabilities draw students directly into interactive learning experiences that build on already available individual faculty expertise. Even the simplest technological advances such as e-mail can move a campus forward in its academic programs and services to students. Every student, through residence halls and clusters of free-standing units, should have access to e-mail as a way of engaging with faculty regularly on instructional issues. These are but the tip of the iceberg in terms of the possibilities for technology in education.

COMMUNITY AND TECHNICAL COLLEGES. Ohio's geography shouldn't limit the kinds of educational services available to students, and particularly to those students who must balance additional education and training with the demands of work and home. In some areas of Ohio, for example, little opportunity for technical education is available. One means of addressing this situation could be the development of a strategy whereby regional needs, once identified, would become the basis for a competitive search to locate, and fund, the best service provider for the needed service. This kind of competitive approach to ensuring that regional needs are met allows Ohio's community and technical colleges to go beyond the boundaries of campus buildings and traditional service areas and serve Ohio's needs based upon what they are able to provide in a competitive marketplace.

STATEWIDE. Within academe, great weight is placed on the publication record of faculty for promotion and tenure. Moreover, the reward for attracting research grants is high both in monetary value and in academic prestige. There is no comparable "prestige portability" within higher education for excellence in teaching. The creation of the Ohio Academy of Teaching can provide this recognition of teaching and help rebalance attention given to undergraduate instruction.

Conclusion

Even as the need for higher education has grown, funding for higher education has declined in Ohio. Base funding must continue to grow to fund some modest level of inflation and to respond to enrollments.

> *Moreover, Ohio's campuses are willing to subject themselves to the discipline implicit in linking any new state support (beyond the increases required in the instructional subsidy for aditional enrollments and inflation) for increased campus spending to either demonstrated performance against expectations that reflect a joint understanding between campus and state about the mission of the campus and to the outcome of a statewide competition for funds to help campuses in their transformation to high performance campuses.*

The Ohio Board of Regents believes that Ohio's colleges and universities are up to the challenges Ohio faces in its need for a knowledge-based society and economy in the 21st century. We invite the Governor and the members of the General Assembly to join us in this effort.

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